

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

NOTICE OF MARKET-DOMINANT
PRICE ADJUSTMENT

Docket No. R2013-10

RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 8
(November 5, 2013)

The Postal Service hereby files its responses to Chairman's Information Request No. 8, issued on October 30, 2013. Each question is stated verbatim, and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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1. In response to CHIR No. 4, question 3, parts c and d, the Postal Service states that data are not available to disaggregate residual pieces into "uniform" 1-ounce presort mailings, "uniform" 2-ounce presort mailings, and "mixed" presort mailings for the hybrid year of Q4 FY2012 to Q3 FY2013. Please refer to Docket No. MC2013-30, Response of United States Postal Service to Chairman's Information Request No. 1, CAPCALC-FCM-R2013-ChIR1.xls, workbook tab "SP Residual Detail."
 - a. Please confirm that workbook tab "SP Residual Detail" contains separate volumes for residual pieces from "uniform" 1-ounce presort mailings, "uniform" 2-ounce presort mailings, and "mixed" presort mailings for the hybrid year of Q4 FY2011 to Q3 FY2012.
 - b. Please provide the source of the data in workbook tab "SP Residual Detail."
 - c. Please confirm that similar data are not available for the hybrid year of Q4 FY2012 to Q3 FY2013.
 - d. If part c is confirmed, please explain why such data are no longer available and confirm that the distribution of residuals in workbook tab "SP Residual Detail" is an appropriate proxy for the volume of residuals that are from "uniform" 1-ounce presort mailings, "uniform" 2-ounce presort mailings, and "mixed" presort mailings for the hybrid year of Q4 FY2012 to Q3 FY2013.
 - e. If part d is confirmed, please provide updated First-Class Mail workpapers that reflect the change in the rates for residual 2-ounce letters from "uniform" 2-ounce presort mailings using the percentage of residuals in each category in "SP Residual Detail" to distribute the residual volume for the hybrid year of Q4 FY2012 to Q3 FY2013.
 - f. If part c is not confirmed, please provide the available data for the hybrid year of Q4 FY2012 to Q3 FY2013 and revise the First-Class Mail workpapers to reflect the change in the rates for residual 2-ounce letters from "uniform" 2-ounce presort mailings.

RESPONSE:

- a. Confirmed.
- b. Mailing Statement data

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- c. Not confirmed. In responding to this question, the Postal Service has identified data that are available for part of the hybrid year (January 27 through June 30, 2013.) The Postal Service is applying these data to the entire hybrid year.
- d. Not applicable
- e. Not applicable
- f. Please see ChIR8.Qu1.Response.xls. The available data are included in the tab: Single-Piece.

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2. In response to CHIR No. 4, question 3, the Postal Service states that the proposed residual single-piece rate structure applies solely to residual pieces derived from “mixed” presort mailings. The Postal Service also states that residual pieces from “uniform” 1-ounce and 2-ounce mailings will pay the Metered letter rate.
- a. Please confirm that the Mail Classification Schedule (MCS) language for Single-Piece Residual Machinable Letters does not reflect the requirement that the rates apply solely to residual pieces derived from “mixed” presort mailings. See Notice, Attachment A at 4. If not confirmed, please explain.
 - b. Please confirm that the following MCS language accurately reflects the Postal Service's proposed residual single-piece rate structure. If not confirmed, please explain.

Single-Piece Residual Machinable Letters

Maximum Weight (ounces)	Residual Machinable Letters (\$)
1	0.48 ¹
2	0.48 ¹
3	0.86
3.5	1.06

1. This price applies only to residual machinable letters derived from a mixed weight presort mailing. Single-piece machinable metered letter rates apply to residual letters derived from uniform one-ounce and uniform two-ounce presort mailings.

RESPONSE:

- a. Confirmed that the MCS language does not specify the “mixed” presort limitation, which is instead communicated as Domestic Mail Manual changes, using a recent Federal Register notice. 78 Fed. Reg. 63915-16, 63918 (October 25, 2013).
- b. Confirmed.

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3. Please confirm that the following MCS language would accurately describe the requirements for the Stamped and Metered Letter price categories:

1105.3 Price Categories

The following price categories are available for the product specified in this section:

- Machinable Stamped Letters – Bear a non-cancelled stamp or postage validation imprint (PVI) indicia
- Machinable Metered Letters – Bear postage affixed by meter, information-based indicia (IBI), permit imprint, or pre-cancelled stamp
- Nonmachinable Stamped Letters – Stamped letters that either
~~Either~~ have an aspect ratio that does not fall between 1 to 1.3 and 1 to 2.5 inclusive or do not meet other machinability requirements
- Nonmachinable Metered Letters – Metered letters that either have
an aspect ratio that does not fall between 1 to 1.3 and 1 to 2.5 inclusive or do not meet other machinability requirements
- Qualified Business Reply Mail (QBRM) Letters
- Residual Machinable Letters
- Postcards
- Qualified Business Reply Mail (QBRM) Postcards

RESPONSE:

Confirmed.

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4. Refer to the Notice at Attachment A, entitled "Changes to Mail Classification Schedule".
- a. For Inbound Letter Post, the Postal Service proposes to delete section 1130.1(b), the text of which states that inbound international mail matter "containing personal information, partially or wholly hand-written or typewritten matter, or bills or statements of account must be mailed" using Inbound Letter Post or Inbound Priority Mail Express International service. Please explain the rationale for deleting section 1130.1(b), and the effect (if any) on competitors to the Postal Service of deleting this section.
 - b. Please identify any other proposed changes to the text of the MCS affecting Outbound Single-Piece First-Class Mail International and, other than deleting section 1130.1(b), Inbound Letter Post and discuss the rationale for any substantive changes.

RESPONSE:

- a. On page 56 of the notice that the Postal Service filed on September 26, 2013 in this docket, the Postal Service explained that the rationale for the deletion of section 1130.1(b) of the Mail Classification Schedule was because of "changes in the Universal Postal Convention effective in January 2010 that allow certain correspondence in air and surface parcels."¹ The Acts of the 24th Universal Postal Union Congress of 2008 resulted in the deletion, in paragraph 5 of Article 15 of the Universal Postal Convention, of the prohibition concerning the insertion in international Parcel Post of "documents having the character of current and personal correspondence."

¹ United States Postal Service Notice of Market-Dominant Price Adjustment, Docket No. R2013-10, September 26, 2013, at 56.

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The Postal Service knows of no impact that the deletion of section 1130.1(b) would have on competitors because international Parcel Post pieces would be outside the scope of the letter monopoly, based on either the weight or price test in 39 U.S.C. § 601.

- b. Other proposed changes to the text of the MCS that would affect Outbound Single-Piece First-Class Mail International and/or Inbound Letter Post include changes in the following MCS sections, in which the Postal Service proposed that the term “Universal Postal Convention” be used instead of “Universal Postal Union Convention”:

- Section 1510.2 International Registered Mail,
- Section 1535 International Reply Coupon service, and
- Section 1540 International Business Reply Mail Service.

The Postal Service explained in its initial notice filed in this docket that the rationale for this change was “to reflect generally used terminology.”² (For example, references to the “Universal Postal Convention” appear throughout the Letter Post Manual.³)

Similarly, the Postal Service proposed that the term “Universal Postal Convention” be used in section 1410 Inbound Surface Parcel Post (at UPU rates).⁴

² *Id.* at 57.

³ See http://www.upu.int/uploads/tx_sbdownloader/actInFourVolumesLetterPostManualEn.pdf.

⁴ In general, the Postal Service proposes that the term “Universal Postal Convention” should be used throughout the MCS.

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5. On page 16 of the Notice, the Postal Service states that it intends "to require the previously optional FSS preparation for all flat-shaped mailpieces destinating in FSS zones." Please confirm that the FSS preparation requirement will apply to First-Class Mail Flats. If not confirmed, please explain.

RESPONSE:

Not confirmed. The Flats Sequencing System was purchased primarily to sequence Standard Mail and Periodicals flats. Although we do try to run First-Class Mail volume when it is available, First-Class Mail flats (only about 5.5% of flats in FFS zones) generally are not targeted to be run on FSS because of the limited availability of this volume during FSS operations. As a result, we have not mandated any FSS mail preparation requirements for First-Class Mail flats.

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6. Please refer to the Postal Service's Response to CHIR No. 3, question 3, filed October 28, 2013.
- a. Please confirm that if presorted flat-shaped mail for First-Class, Standard Mail, Periodicals, and Package Services does not meet the new FSS preparation requirements, and the mailer chooses not to withdraw the mailing, the mailpieces will be subject to the First-Class single-piece flats price. If not confirmed, please explain and provide examples of what prices mailers will pay if they do not meet FSS preparation requirements, and mailers choose not to withdraw the mailing.
 - b. Please confirm that FSS Scheme bundles can include pieces from different mail classes and mail products. If not confirmed, please explain. If confirmed, and an FSS Scheme bundle includes 5-digit Standard Mail and Carrier Route Standard Mail, will the Carrier Route pieces pay the Standard Mail Flats FSS Scheme rate or the lower Carrier Route FSS Scheme rate?
 - c. Did all mail processed on the FSS in the billing determinants year meet the FSS preparation requirements? Please explain.
 - d. In the billing determinant year, was some mail that met the FSS preparation requirements and was presented at an FSS zone not processed on the FSS? Please explain.

RESPONSE:

- a. Partially confirmed. As discussed in response to question 5, First-Class Mail flats are not subject to FSS preparation requirements. Since Standard Mail and Periodicals do not have any nonpresorted prices, if mailers do not rework improperly prepared mail, such mail would be moved to a different level of service that allows the mail's level of preparation. For Standard Mail and Periodicals, it would be First-Class Mail single-piece flats prices. Improperly prepared Bound Printed Matter flats would be subject to nonpresorted BPM prices if they do not withdraw the mailing.

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- b. Partially confirmed. Any particular FSS bundle cannot include pieces from different mail classes, other than as allowed for Periodicals and Standard Mail flats that are prepared under mixed-class comail standards. An FSS bundle may include mail of different products in the same class, as in the example of 5-digit and Carrier Route Standard Mail. Pieces in an FSS scheme bundle (if not destination entered and eligible for DFSS) would pay the price they are otherwise eligible for – such as Carrier Route if eligible by density per route, or 5-digit if eligible for 5-digit.
- c. During the billing determinants year FSS preparation was optional. Although roughly 20 percent of all non-Saturation or non-High-Density flats were processed on the FSS, only 4.6 percent of Periodicals and 0.5 percent of Standard Mail flats were prepared in FSS bundles. Most of the mail currently being processed on the FSS arrives in 5-digit or basic carrier route bundles and is not prepared using FSS preparation requirements.
- d. It is the intent of Postal Service operations to process all non-Saturation or non-High-Density mail destinating in a FSS zone on the FSS, and provide carriers within those zones with as much sequenced mail as possible. Inevitably there are operational issues, such as broken bundles and machine breakdowns, which prohibit some FSS-prepared mail from being processed on the FSS. The proportion of this mail is unknown.

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7. The following refers to a recent *Federal Register* notice announcing a proposed rule to revise the Domestic Mail Manual. 78 FR 63915 (October 25, 2013). In it, the Postal Service proposes a "Live Animal Transportation Fee."
- a. Please confirm that the proposed Live Animal Transportation Fee is included in Docket No. R2013-10.
 - b. If part a. is confirmed, please identify where in Docket No. R2013-10 the fee is proposed.
 - c. If part a. is not confirmed, please identify when the Postal Service proposes to introduce the fee.

RESPONSE:

- a. Not confirmed
- b. Not applicable
- c. The Postal Service currently charges a \$0.20 per pound fee for the shipment of day-old poultry with statutory authorization, "[n]otwithstanding any other provision of law." 39 U.S.C. § 5402(e)(2)(B); This "fee" is a pass-through to those airlines which transport day-old poultry. While the Postal Service is considering the expansion of this fee to all types of live animals and types of transportation, including those that are beyond what is covered by 39 U.S.C. § 5402(e)(2)(B), the Postal Service recognizes that such a change would require a filing with the Commission. Despite language in the proposed rule related to this docket, the Postal Service does not intend to implement this expansion on January 26, 2014. See 78 Fed. Reg. 63915, 63917, 63922 (October 25,

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2013). Moreover, the Postal Service has not yet determined when a filing to expand the fee beyond what is authorized by 39 U.S.C. § 5402(e)(2)(B) will take place.

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8. Among the proposed changes to MCS language contained in Attachment A, the Postal Service proposes to remove barcode discounts currently available to presorted and nonpresorted automation compatible BPM Flats. Notice, Attachment A at 73, 76.
- a. Please confirm that these discounts are currently available for presorted and nonpresorted automation compatible BPM Flats. If not confirmed, please explain.
 - b. Please provide the planned discontinuance date for the discounts.
 - c. Please explain the Postal Service's rationale for discontinuing the discounts.

RESPONSE:

- a. Confirmed
- b. January 26, 2014
- c. These discounts are provided to customers using POSTNET barcodes. The Postal Service has been phasing out use of these barcodes, and encouraging customers to switch over to IMb barcodes for better tracking and visibility. The Postal Service eliminated these barcode discounts for BPM Parcels and Media/Library Mail in Docket No. R2012-3. The elimination of these barcode discounts for BPM Flats will complete the removal of the POSTNET barcode discounts from Package Services.

The Postal Service inadvertently omitted a description of this price change in the Package Services section of the Notice. The discount was removed in the CAPCALC file "USPS-LR-R2013-10/4 Package Services" as well as in the MCS.

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9. On page 30 of the Notice, the Postal Service states that “[t]here will be no FSS pricing for DDU destination entry” for BPM Flats. In response to CHIR No. 3, question 4, the Postal Service states that BPM Flats have “the same prices for FSS preparation mail as for other mail, so volumes do not need to be disaggregated.”
- a. Please confirm that FSS BPM Flats currently receiving the DDU discount will pay the DSCF rate under the Postal Service’s proposal. If not confirmed, please explain.
 - b. Please provide the hybrid year Q4 FY2012 to Q3 FY2013 volumes for BPM Flats receiving the DDU discount, disaggregated between FSS and non-FSS. Please also provide a revised cap calculation spreadsheet reflecting the new rate to be paid by FSS BPM Flats entered at the DDU.

RESPONSE:

- a. Not confirmed. BPM flats destinating at FSS locations that currently qualify for the DDU discount will continue receiving it. The assertion that “[t]here will be no FSS pricing for DDU destination entry” was intended to mean that there will not be a special FSS price (incentive) for DDU BPM Flats, rather than that there will be a penalty for submitting DDU BPM Flats at FSS locations.
- b. There were 8,830,715 BPM Flat pieces receiving the DDU discount in the hybrid year. But it is not known how many of these were processed at FSS locations. Since there is no price change for these pieces in this price adjustment, it is not necessary to revise the cap calculation sheet.